

KEEGAN, WERLIN & PABIAN, LLP

ATTORNEYS AT LAW
265 FRANKLIN STREET
BOSTON, MASSACHUSETTS 02110-3113

(617) 951-1400

TELECOPIERS:
(617) 951-1354
(617) 951-0586

August 17, 2004

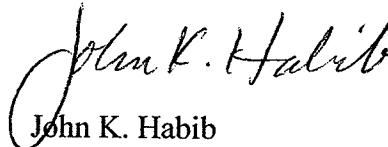
Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

RE: New England Gas Company, D.T.E. 04-6

Dear Secretary Cottrell:

Please find attached the response of New England Gas Company (the "Company") to Information Request AG-2-2 in the above-referenced docket. If you have any questions regarding this filing, please contact me at your convenience.

Sincerely,



John K. Habib

Enclosures

cc: Jody Stiefel, Hearing Officer
Wilner Borgella, Office of the Attorney General
Service List

INFORMATION REQUEST AG 2-02

Refer to the Company's response to DTE 2-3. If the Company had filed a single, combined CGA for effect June 1, 2004 (the effective date of the interim CGAs), what would the GAF and LDAC have been. Please provide bill impact analyses for both companies based on this hypothetical rate. Include all calculation, workpapers and assumptions.

RESPONSE:

Amended GAF Factors for effect on June 1, 2004 were submitted on May 19, 2004 for the Company's Fall River and North Attleboro service areas. For Fall River, the amended factor was \$0.7485 per ccf and for North Attleboro the amended factor was \$0.8832 per therm. The Fall River GAF factor was designed to recover adjusted summer period gas costs for the six months ended October 2004 while the North Attleboro factor was designed to recover Base gas costs for the twelve months ended April 2005. The GAF factor for Fall River results from a Peak/Off-peak GAF mechanism while the North Attleboro GAF factor results from a Base/Supplemental GAF mechanism. Thus, a different GAF mechanism is in place for the two service areas.

However, to demonstrate the benefits of a combined dispatch, the Company has prepared an analysis that ignores seasonal gas cost allocations and instead focuses on annual gas costs. Specifically, the analysis relies on the annual gas costs underlying both GAF filings for effect on June 1, 2004. The difference in annual gas costs under the separate Fall River and North Attleboro dispatches are compared to the annual gas costs under a combined dispatch.

Attachment AG 2-02, page 1 presents the annual gas costs underlying the currently effective GAFs for Fall River and North Attleboro compared to the annual gas costs under a combined dispatch scenario. As shown, the annual gas costs underlying the currently effective GAF for Fall River is \$47,178,384 and \$4,488,767 for North Attleboro, resulting in total annual gas costs of \$51,667,151. Dividing the annual gas costs by the respective service area through-put projections results in per therm gas costs of \$0.8667 for the Fall River Service area, \$0.8633 for the North Attleboro service area, and a combined service area average of \$0.8664.

New England Gas Company
D.T.E. 04-06
Massachusetts Department of Telecommunications and Energy
Attorney General - Second Set of Data Requests
August 17, 2004
Person Responsible: Gary L. Beland

The annual gas costs from a combined dispatch are \$51,454,752, or \$212,399 less than the separate Fall River and North Attleboro dispatches. Dividing the combined dispatch annual gas costs by the combined Massachusetts through-put results in a per therm gas cost of \$0.86280, or \$0.0036 less than the Fall River and North Attleboro separate dispatches combined. The \$0.8628 combined dispatch is \$0.0039 less than the separate Fall River gas cost per therm and \$0.0005 less than the North Attleboro gas cost per therm.

The Company has attached its workpapers supporting its combined dispatch analysis on pages 4 through 6 of Attachment AG 2-02. The information on page 4 presents the annual gas costs underlying the currently effective Fall River GAF. This schedule was previously submitted as Attachment 3, page 1 of the Company's May 19, 2004 amended GAF filing. As shown, annual gas costs underlying the currently effective GAF total \$47,178,384. Attachment AG 2-02, page 5 presents the annual gas costs underlying the currently effective North Attleboro GAF excluding the deferred, working capital and bad debt gas costs added in on page 1. This schedule was previously submitted as Schedule 6 of the Company's May 19, 2004 amended GAF filing. As shown, annual gas costs underlying the currently effective GAF total \$4,488,767. Attachment AG 2-02, page 6 summarizes the comparable annual gas costs utilizing a combined Massachusetts dispatch. Such costs under the combined dispatch scenario total \$51,454,753.

A Fall River service area customer class-specific bill impact analysis is presented in Attachment AG 2-02, page 2 while the North Attleboro service area bill impact analysis is presented on page 3. As shown, the typical Residential Heating customer in Fall River will realize annual savings of \$4, while the typical Residential Heating customer in North Attleboro will realize annual savings of \$0.50.

New England Gas Company
Benefits of Combined Gas Cost Dispatch

	June 1, 2004 GAFs (a)			COMBINED Dispatch GAF	Difference
	Fall River	N.A.G.C	TOTAL		
12 Mos Ended April 2005					
Period Gas Costs					
Variable Gas Costs	\$40,058,558	\$3,839,893	\$43,898,451	\$43,686,227	(\$212,224)
Fixed Gas Costs	\$7,119,826	\$648,874	\$7,768,700	\$7,768,525	(\$175)
Total Gas Costs	\$47,178,384	\$4,488,767	\$51,667,151	\$51,454,752	(\$212,399)
Annual Sales	54,437,001	5,199,326	59,636,327	59,636,327	0
Gas Cost per therm	\$0.8667	\$0.8633	\$0.8664	\$0.8628	(\$0.0036)

(a) Annual gas costs underlying the currently effective GAFs.

New England Gas Company
Fall River Service Area

Bill Impacts – Separate vs. Combined Gas Dispatch

	Annual Consumption (Ccf)	Difference Between Combined and Separate Dispatch (\$0.0039)/ccf
Res Htg R-3	925	(\$4)
Res Htg LL R-4	983	(\$4)
Res Non-Htg R-1	183	(\$1)
LLF Small G-41	1,951	(\$8)
LLF Medium G-42	19,201	(\$75)
LLF Large G-43	110,130	(\$430)
HLF Small G-51	3,104	(\$12)
HLF Medium G-52	17,650	(\$69)
HLF Large G-53	443,423	(\$1,729)

New England Gas Company
North Attleboro Service Area

Bill Impacts – Separate vs. Combined Gas Dispatch

	Annual Consumption (Therms)	Difference Between Combined and Separate Dispatch (\$0.0005)/therm
Res Heating R-3	925	(\$0.49)
Res Non-Heating R-1	183	(\$0.11)
Commercial General Service G-0	1,951	(\$1.25)
Commercial Heat Only G-1	19,201	(\$2.35)
Industrial G-2	110,130	(\$4.50)

Summary of Updated Gas Costs for 2004 Off-Peak GAF Filing
New England Gas Company - Fall River Service Area

Fixed and Variable Gas Costs

	May-04	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan-05	Feb	Mar	Apr	TOTAL	Peak	Off-Peak
SUPPLY VARIABLE COSTS	\$1,640,738	\$1,090,366	\$982,190	\$1,006,289	\$1,119,566	\$2,278,832	\$3,693,221	\$5,647,313	\$5,158,778	\$4,487,117	\$4,950,414	\$2,895,893	\$34,950,717	\$25,832,736	\$8,117,981
STORAGE VARIABLE COSTS	\$18,766	\$22,132	\$22,870	\$22,870	\$22,132	\$22,870	\$80,285	\$1,092,242	\$1,989,555	\$1,442,546	\$338,440	\$22,132	\$5,107,841	\$4,975,200	\$132,641
Total Variable Gas Costs	\$1,659,504	\$1,112,498	\$1,005,061	\$1,029,159	\$1,141,698	\$2,301,702	\$3,773,506	\$6,739,555	\$7,158,333	\$5,929,663	\$5,288,854	\$2,918,025	\$40,058,558	\$31,807,936	\$8,250,622
Total Fixed Charges	\$648,489	\$648,489	\$648,489	\$648,489	\$648,489	\$648,489	\$648,489	\$648,489	\$648,489	\$648,489	\$653,489	\$658,489	\$7,796,872	\$3,905,936	\$3,890,336
Less Market Fixed	\$31,921	\$31,921	\$31,921	\$31,921	\$31,921	\$31,921	\$31,921	\$31,921	\$31,921	\$31,921	\$31,921	\$31,921	\$383,046	\$191,523	\$191,523
Less Capacity Release	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$294,000	\$234,000	\$60,000
Net Fixed Charges	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$617,569	\$617,569	\$7,119,825	\$3,480,413	\$3,639,413
Total Gas Costs	\$2,267,073	\$1,719,067	\$1,611,629	\$1,635,728	\$1,748,267	\$2,908,271	\$4,380,075	\$7,346,124	\$7,765,902	\$6,536,232	\$5,906,423	\$3,535,594	\$47,178,384	\$35,288,349	\$11,890,035

PEAK 2004-05 DEMAND COSTS PROPORTIONAL RESPONSIBILITY ALLOCATION

Total Fixed Charges	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569
100% Deferral to Peak (1)	\$62,584	\$62,584	\$62,584	\$62,584	\$62,584	\$62,584	\$62,584	\$62,584	\$62,584	\$62,584	\$62,584	\$62,584	\$62,584	\$62,584	\$62,584
75% Deferral to Peak (2)	\$415,489	\$415,489	\$415,489	\$415,489	\$415,489	\$415,489	\$415,489	\$415,489	\$415,489	\$415,489	\$415,489	\$415,489	\$415,489	\$415,489	\$415,489
Summer Costs	\$128,496	\$128,496	\$128,496	\$128,496	\$128,496	\$128,496	\$128,496	\$128,496	\$128,496	\$128,496	\$128,496	\$128,496	\$128,496	\$128,496	\$128,496
Peak Deferral Demand Costs	\$478,073	\$478,073	\$478,073	\$478,073	\$478,073	\$478,073	\$478,073	\$478,073	\$478,073	\$478,073	\$478,073	\$478,073	\$478,073	\$478,073	\$478,073
Total Demand Gas Costs	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569	\$606,569

PEAK 2004-05 STORAGE COSTS PROPORTIONAL RESPONSIBILITY ALLOCATION

Total Storage Costs	\$19,766	\$22,132	\$22,870	\$22,870	\$22,132	\$22,870	\$22,870	\$22,870	\$22,870	\$22,870	\$22,870	\$22,870	\$22,870	\$22,870	\$22,870
100% Deferral to Peak	\$19,766	\$22,132	\$22,870	\$22,870	\$22,132	\$22,870	\$22,870	\$22,870	\$22,870	\$22,870	\$22,870	\$22,870	\$22,870	\$22,870	\$22,870
Summer Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Peak Deferral Storage Costs	\$19,766	\$22,132	\$22,870	\$22,870	\$22,132	\$22,870	\$22,870	\$22,870	\$22,870	\$22,870	\$22,870	\$22,870	\$22,870	\$22,870	\$22,870
Total Storage Costs	\$19,766	\$22,132	\$22,870	\$22,870	\$22,132	\$22,870	\$22,870	\$22,870	\$22,870	\$22,870	\$22,870	\$22,870	\$22,870	\$22,870	\$22,870

(1) Allocation of Fixed Storage Costs
(2) Allocation of Fixed Pipeline Costs

**New England Gas Company
North Attleboro Service Area
Summary of Gas Costs for June 2004 GAF Filing
Fixed and Variable Gas Costs**

	MAY-04	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN-05	FEB	MAR	APR	Total
Fixed Pipeline	\$50,485	\$50,485	\$50,485	\$50,485	\$50,485	\$50,485	\$50,485	\$50,485	\$50,485	\$50,485	\$50,485	\$50,485	\$605,820
Fixed Storage	\$5,990	\$5,990	\$5,990	\$5,990	\$5,990	\$5,990	\$5,990	\$5,990	\$5,990	\$5,990	\$5,990	\$5,990	\$71,874
Fixed Supply	\$506	\$523	\$523	\$490	\$523	\$506	\$523	\$506	\$523	\$523	\$506	\$523	\$6,178
Total Fixed	\$56,981	\$56,998	\$56,998	\$56,964	\$56,998	\$56,981	\$56,998	\$56,981	\$56,998	\$56,998	\$56,981	\$56,998	\$683,872
Variable Supply	\$159,135	\$124,761	\$113,113	\$116,339	\$130,715	\$219,091	\$351,034	\$449,954	\$516,186	\$418,206	\$431,045	\$272,103	\$3,301,682
Variable Storage	\$0	\$0	\$0	\$0	\$0	\$0	\$36,291	\$115,422	\$164,535	\$148,410	\$73,553	\$0	\$538,211
Total Gas Costs	\$216,115	\$181,759	\$170,110	\$173,303	\$187,713	\$276,072	\$444,323	\$622,358	\$737,719	\$623,614	\$561,579	\$329,100	\$4,523,765
Less Capacity Release	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$4,333	\$4,333	\$4,333	\$4,333	\$4,333	\$4,333	\$34,998
Net Total Gas Costs	\$214,615	\$180,259	\$168,610	\$171,803	\$186,213	\$274,572	\$439,990	\$618,025	\$733,386	\$619,281	\$557,246	\$324,767	\$4,488,767
Base Demand	\$49,491	\$49,508	\$49,508	\$49,474	\$49,508	\$49,491	\$46,675	\$46,658	\$46,675	\$46,675	\$46,658	\$46,675	\$577,000
Base Commodity	\$159,135	\$124,761	\$113,113	\$116,339	\$130,715	\$219,091	\$351,034	\$449,954	\$516,186	\$418,206	\$431,045	\$272,103	\$3,301,682
Supplemental	\$5,990	\$5,990	\$5,990	\$5,990	\$5,990	\$5,990	\$42,281	\$121,412	\$170,525	\$154,400	\$79,542	\$5,990	\$610,086
Base Sendout	24,846	18,562	16,542	16,891	19,113	32,010	47,377	57,880	65,168	53,256	56,361	41,432	449,438
Supplemental Sendout	0	0	0	0	0	0	5,867	18,810	27,032	24,384	11,811	0	87,904
Average cost of Gas	8.698	9.792	10.284	10.260	9.821	8.625	8.345	8.115	8.001	8.032	8.238	7.943	8.419

**Summary of Gas Costs for May 2004 GAF Filing
Massachusetts Companies Combined**

Fixed and Variable Gas Costs

	May-04	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan-05	Feb	Mar	Apr	TOTAL
SUPPLY VARIABLE COSTS													
STORAGE VARIABLE COSTS													
Total Variable Gas Costs	\$1,811,886	\$1,232,604	\$1,108,404	\$1,141,961	\$1,269,863	\$2,528,173	\$4,146,796	\$7,314,089	\$7,699,779	\$6,510,537	\$5,769,235	\$3,153,900	\$43,686,227
Fixed Supply Charges	\$523	\$523	\$508	\$523	\$523	\$523	\$523	\$523	\$523	\$523	\$523	\$523	\$6,262
Fixed Transportation	\$631,902	\$631,902	\$631,902	\$631,902	\$631,902	\$631,902	\$631,902	\$631,902	\$631,902	\$631,902	\$636,818	\$641,818	\$7,597,572
Fixed Storage	\$73,062	\$73,062	\$73,062	\$73,062	\$73,062	\$73,062	\$73,062	\$73,062	\$73,062	\$73,062	\$73,062	\$73,062	\$876,741
Total Fixed Charges	\$705,487	\$705,487	\$705,470	\$705,487	\$705,487	\$705,487	\$705,487	\$705,487	\$705,487	\$705,487	\$710,403	\$715,403	\$8,480,575
Less Marketer Fixed	\$31,921	\$31,921	\$31,921	\$31,921	\$31,921	\$31,921	\$31,921	\$31,921	\$31,921	\$31,921	\$31,921	\$31,921	\$383,952
Less Capacity Release	\$11,500	\$11,500	\$11,500	\$11,500	\$11,500	\$11,500	\$43,333	\$43,333	\$43,333	\$43,333	\$43,333	\$43,333	\$228,988
Net Fixed Charges	\$662,066	\$662,066	\$662,049	\$662,066	\$662,066	\$662,066	\$630,233	\$630,233	\$630,233	\$630,149	\$636,149	\$640,149	\$7,766,525
Total Gas Costs	\$2,473,952	\$1,894,670	\$1,770,454	\$1,804,027	\$1,930,929	\$3,190,239	\$4,777,029	\$7,944,322	\$8,330,012	\$7,140,686	\$6,404,364	\$3,794,049	\$51,454,753
COST ALLOCATION													
Base Demand	\$589,004	\$589,004	\$589,987	\$589,004	\$589,004	\$589,004	\$557,171	\$557,171	\$557,171	\$557,087	\$562,087	\$567,087	\$6,891,784
Base Commodity	\$1,792,120	\$1,210,471	\$1,085,534	\$1,119,091	\$1,246,730	\$2,505,303	\$4,059,279	\$6,107,664	\$5,275,748	\$5,278,846	\$5,391,661	\$3,131,768	\$38,204,217
Supplemental	\$92,828	\$95,194	\$95,932	\$95,932	\$95,194	\$96,932	\$160,579	\$1,279,486	\$2,497,092	\$1,304,753	\$450,636	\$95,194	\$5,358,752
Base Sendout	283,012	183,377	162,441	166,209	185,638	369,959	571,857	805,164	691,605	708,462	725,065	493,469	5,346,257
Supplemental Sendout	3,410	3,300	3,410	3,410	3,300	3,410	14,227	195,305	399,028	195,507	62,298	3,300	889,905